

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON DC 20268-0001

FLAGSTAFF FIELD HEARING  
ON UNIVERSAL POSTAL SERVICE  
AND THE POSTAL MONOPOLY

Flagstaff City Hall  
Flagstaff, Arizona  
May 21, 2008

Docket No. PI-2008-3

\* \* \* \* \*

1:56 o'clock p.m.

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4 CHAIRMAN BLAIR: We'll go ahead and get  
5 started. Good afternoon, everyone. I'm Dan Blair,  
6 Chairman of the Postal Regulatory Commission. On  
7 behalf of my fellow Commissioners, I want to welcome  
8 the witnesses here today. It's a pleasure to be here  
9 in Flagstaff to kick off the first of three field  
10 hearings on our study of the universal service  
11 application and the postal monopolies.

12 Before I begin my prepared remarks, I  
13 would like to tell everyone about a visit that we made  
14 yesterday to a very unique post office in Jerome,  
15 Arizona. For those who may be unfamiliar with Jerome,  
16 it sits high atop Cleopatra Hill between Flagstaff and  
17 Prescott. In the 1880s, Jerome was one of the leading  
18 cities of Arizona and a very popular mining site.

19 Today, however, Jerome is known to many  
20 as Arizona's most famous ghost town, and yet it still  
21 has its post office which was established in 1883 and  
22 has never been discontinued.

23 Commissioner Mark Acton and I had the  
24 good fortune to meet with Jerome's postmaster, Vicki  
25 Sommers, and the manager of postal operations for the

1 area land extension. Those meetings were very good  
2 and drove home to us the value and uniqueness of our  
3 universal service obligation here in the United  
4 States. The Jerome Post Office clearly demonstrates  
5 the Postal Service's expansive reach into vast rural  
6 areas of our country and relates directly to the  
7 Commission's reason for coming to Flagstaff.

8 In late 2006, President Bush signed into  
9 law the Postal Accountability and Enhancement Act.  
10 Among other things, the Act required the Commission to  
11 undertake a study on universal service, postal  
12 service, and the postal monopoly in the United States,  
13 including monopoly on the delivery of mail and on  
14 access to mailboxes. Universal postal service, also  
15 referred to as the universal service obligation, is  
16 mandated by law and defines the minimum mail service  
17 to which each citizen is entitled.

18 Generally, the USO incorporates six  
19 features; access to retail services and delivery,  
20 frequency of delivery, quality of service,  
21 affordability, geographic scope and range of mail  
22 products offered. Because providing a minimum level  
23 of service to every citizen may not be profitable  
24 under certain conditions, a USO is generally financed  
25 by granting exclusive rights to the postal

1 administration to provide selective services such as a  
2 postal monopoly.

3 Over the last 10 years, many countries,  
4 mostly in Europe, have begun to reduce the postal  
5 monopoly, although at the same time ensuring some  
6 minimal level of service for each citizen. It is  
7 within this context that Congress has mandated the  
8 study.

9 The testimony provided by our witnesses  
10 today will help educate and inform the Commissions as  
11 we continue our work on this report. Our final report  
12 is due in December, and it would be an understatement  
13 to characterize this report as critical to the future  
14 of the Postal Service and stakeholders, since Congress  
15 may act on any recommendations we include in the  
16 report.

17 I sincerely appreciate the witnesses'  
18 willingness to travel to Flagstaff and add to the  
19 Commission's record on this important issue.

20 I would like to introduce our witnesses.  
21 Our first panel is comprised of Merle Baranczyk, who  
22 publishes the Mountain Mail, the community newspaper  
23 for Salida, Colorado, and the Upper Arkansas Valley.  
24 Our second witness is Don Rowley, publisher of the  
25 Arizona Daily Sun here in Flagstaff. Mr. Rowley and

1 Jeremy Alexander were good hosts this morning in  
2 showing the Commissioners their operations at the  
3 Arizona Daily Sun.

4 Stephanie Lehrdahl joins the panel as a  
5 32-year rural letter carrier from Albuquerque with a  
6 route in Taylor Ranch, New Mexico, and Larry James  
7 completes the first panel and serves as the Arizona  
8 district manager for the Postal Service.

9 Our second panel of witnesses includes  
10 Cameron Powell, vice president for strategic  
11 development at Earth Class Mail of Seattle,  
12 Washington; Jan Pritchard, publisher of the Flute  
13 Network based in San Bernardino, California, and  
14 Matthew Panos, vice president for Ministry of  
15 Partnerships and Resources and the non-profit group  
16 Food for the Hungry which is based in Phoenix.

17 Your written statements will be made  
18 part of the Commission's record, and a transcript of  
19 today's hearings will be made available on the  
20 Commission's website.

21 Before I conclude, I would like to  
22 extend the Commission's thanks to the City of  
23 Flagstaff and particularly Stacy Salzberg with the  
24 Public Works Office for providing us this very nice  
25 hearing room.

1                   So at this time I would like to yield to  
2 my fellow Commissioners for an opportunity to say a  
3 few words in welcoming the witnesses, as well.

4                   Mr. Vice Chairman?

5                   COMMISSIONER ACTON: Thank you,  
6 Mr. Chairman. I have nothing to add, except to thank  
7 all the witnesses for joining us here today. Your  
8 testimony is an important contribution towards the  
9 study and we look forward to hearing it. Thanks  
10 again.

11                  CHAIRMAN BLAIR: Ms. Goldway?

12                  COMMISSIONER GOLDWAY: I'm delighted to be  
13 here in what feels like somewhat familiar territory.  
14 As the former mayor of Santa Monica, I spent many  
15 years at a podium very much like this in a meeting  
16 room very much like this, and the experience I had  
17 there in local community participation is something  
18 that I've carried with me throughout my career. I  
19 think the opportunity for all of us to meet in these  
20 settings where individuals can present to us their  
21 ideas and their experiences is really an important  
22 part of what we do, and I'm very pleased that Chairman  
23 Blair has initiated this program of field hearings  
24 first last year, and now this year.

25                   Thank you all for attending, and we'll

1 pay very careful attention to everything that you say.

2 CHAIRMAN BLAIR: Thank you, Commissioner  
3 Goldway.

4 Commissioner Hammond?

5 COMMISSIONER HAMMOND: Thank you,  
6 Mr. Chairman. I'll keep this short, because I know  
7 we're under time constraints today, but I do consider  
8 what we're starting to do now to be one of the most  
9 important things that the Postal Regulatory Commission  
10 is going to do this year. The universal service  
11 obligation, and then the monopoly area are very  
12 important, and I do thank you all that are going to  
13 appear before us for taking time to be here and I look  
14 forward to learning a lot from you.

15 And I always think, like Commissioner  
16 Goldway said, that we really learn more as we're  
17 traveling around the country and holding things like  
18 this, than we are sitting in Washington, D.C. So I  
19 really appreciate you all being here today and I thank  
20 the Chairman for having these field hearings.

21 CHAIRMAN BLAIR: I feel like I'm at home  
22 with the train going by. So with that, I would like  
23 to again welcome the first panel. Your testimony  
24 today is going to be incredibly important for us as we  
25 reach out and engage stakeholders and what their views

1 are on the universal service obligation, what the  
2 postal monopoly should be, and what they are, and  
3 where our postal service should be going over the  
4 course of the next 5, 10, 15, 20 years.

5 This study is extremely important, and  
6 the Commission takes its responsibilities very  
7 seriously, and because of this seriousness, we wanted  
8 you to testify.

9 So with that, I'll start out with  
10 Mr. Rowley. Would you please give us your testimony,  
11 and we appreciate it. I'll include your entire  
12 statement for the record, but if you want to summarize  
13 it, we'd appreciate it.

14 MR. ROWLEY: Thank you. Good afternoon, and  
15 for those of you from out of town, welcome to  
16 Flagstaff. As has been stated, I'm Don Rowley,  
17 publisher of the Arizona Daily Sun, one of more than  
18 50 daily newspapers across the nation owned by Lee  
19 Enterprises. I would like to mention, with me today  
20 is Jeremy Alexander, the Daily Sun's circulation  
21 director.

22 Some quick background, the Daily Sun has  
23 a circulation of over 11,000 on weekdays and  
24 Saturdays, with Sunday circulation of over 12,000  
25 homes. Most of our circulation is in and around



1 Flagstaff.

2 We also publish mid-week by mail a  
3 weekly product mailed to about 18,000 non-subscriber  
4 homes. The Daily Sun also owns and operates Direct  
5 Impression Mail Services, a full service direct mail  
6 company that prepares over three million pieces a  
7 year.

8 Let me preface my testimony by saying  
9 that the views I will express here today are mostly  
10 from the perspective of the newspaper industry in  
11 general, rather than the limited perspective of one  
12 newspaper in one market.

13 For newspapers, universal service  
14 includes both delivery and access components. As for  
15 delivery, universal service means the reliable and  
16 predictable service on which we've come to rely. As  
17 for access, it means having access to the same postal  
18 facilities, rates and services as our advertising mail  
19 competitors. Both of these components of universal  
20 service are, as we understand it, now in jeopardy by  
21 new proposed postal restrictions in connection with  
22 the flats sequencing system.

23 As for the delivery component, like most  
24 newspapers, we use first class mail to invoice our  
25 subscribers and advertisers and receive much more

1 revenue in the mail. Physical delivery of statements,  
2 invoices and payments, is likely to remain an  
3 important -- likely to remain important for years to  
4 come and we would advocate that they remain part of  
5 the universal service.

6 Second, while mail subscribers to the  
7 Daily Sun comprise a relatively small segment of our  
8 circulation, many newspapers, especially community  
9 papers and non-dailies, continue to depend on  
10 periodicals mail for circulation delivery. We believe  
11 universal service should continue to include newspaper  
12 delivery on a timely basis.

13 Third, in today's economy, we expect  
14 advertising mail to be part of the Postal Service's  
15 universal service obligation. According to the  
16 Newspaper Association of America, daily newspapers  
17 spent nearly 786 million on standard mail in 2006, up  
18 10 percent from 2004. In fact, with ad mail, first  
19 and standard combined, now a majority of the  
20 mainstream, clearly it is expected that the Postal  
21 Services's product line included. But as noted a  
22 moment ago, for newspapers, universal service doesn't  
23 simply mean delivery. It also includes access to  
24 postal facilities and services.

25 From our perspective, this means being

1 able to enter our mail where we can get reliable  
2 delivery at the best price. If the Postal Service  
3 curtails access to the post offices that work best for  
4 mailers, it will compromise, in our opinion, universal  
5 service.

6 That leads me to flats sequencing  
7 system. As you know, daily newspapers mostly use  
8 standard mail for delivery of our total market  
9 coverage or TMC products, which provide advertisers  
10 with total coverage by combining carrier delivery of  
11 the advertising preprints to our newspaper subscribers  
12 with standard mail delivery to non-subscriber  
13 households.

14 The non-subscriber TMC products are  
15 mailed at standard enhanced carrier route rates.  
16 Depending on a newspaper subscription density on a  
17 particular route, they usually qualify for high  
18 density rates. But nationwide, about one-third of TMC  
19 mailings qualify for saturation rates on routes where  
20 there are fewer newspaper subscribers.

21 To meet advertisers' demand for timely  
22 delivery that corresponds with in-store sale dates,  
23 newspapers currently enter about half of our TMC mail  
24 at destination delivery units or local post offices,  
25 working closely with local postmasters to meet

1 critical entry times and achieve timely delivery.

2 It is our understanding that the Postal  
3 Service now wants to change this practice by  
4 prohibiting TMC programs from entering high density  
5 flats and DDUs served by the sectional center  
6 facilities, and funneling them instead to the SCFs.

7 However, our saturation mail competitors  
8 would not face the same prohibition. Saturation mail  
9 could still be entered, as we understand it, at the  
10 local delivery units where they receive the best  
11 service and the lowest rates.

12 The problems with forcing us to enter  
13 our TMC density flats at FSS-equipped SCFs instead of  
14 the DDUs, illustrates why access is, in our opinion, a  
15 key part in universal service. First, as an industry,  
16 it is estimated it would basically double our  
17 transportation costs by forcing us to split these  
18 mailings and send them separately to SFS facilities  
19 for high density and to delivery units for saturation.

20 Second, to meet the new entry  
21 requirements, many newspapers will have to modify  
22 production schedules and execute split press runs to  
23 prepare high density and saturation mailings for  
24 different dispatch times with the company increased  
25 costs.

1 Third, our postage costs would increase  
2 because the SCF discounts are smaller than DDU  
3 discounts. Our saturation mail competitors would have  
4 both 20 percent rate advantage and a service quality  
5 advantage because they will be exempt from FSS  
6 processing, as we understand it.

7 Fourth, service would decline. The  
8 USPS's own service standards provide a two to  
9 three-day delivery window for mail entered at SCFs,  
10 compared to a one to two-day window for mailing at  
11 DDUs. Thus, SCF entry for FSS processing would likely  
12 result in delayed delivery, and if advertisers  
13 perceive our service to be unpredictable, they will  
14 take their business elsewhere.

15 In our view, the decision is simple.  
16 The Postal Service should continue to allow newspapers  
17 to enter TMC high density flats at delivery units for  
18 carrier delivery, allowing newspapers to choose the  
19 mailing options that work best for them. This would  
20 also preserve a level playing field with our  
21 saturation mail competitors.

22 Daily newspapers generally have a good  
23 working relationship with the U.S. Postal Service,  
24 both at a national and local level, but as service  
25 declines and our costs go up as a result of FSS, we

1 will have no option but to explore alternative means  
2 of delivery, and as you know, newspapers are already  
3 the delivery business, so we have more realistic  
4 options than most other businesses.

5 Thanks for this opportunity to testify,  
6 and I would be happy to answer any questions.

7 CHAIRMAN BLAIR: Mr. Rowley, thank you.

8 Mr. James, we had the opportunity to  
9 meet with a couple of your employees yesterday, and  
10 you have a great job, and congratulations on your  
11 years of public service. So before you testify, I  
12 just wanted to say that on behalf of the Commission we  
13 look forward to hearing from you.

14 MR. JAMES: You have good employees. Vicki  
15 and Jill are very good, and I was happy to visit  
16 Jerome. Just a tidbit, Kayenta is where it's been  
17 mentioned one person is from with the code talkers,  
18 where the Navajos came from. So it's actually on the  
19 Reservation and is a very unique community with a lot  
20 of history.

21 CHAIRMAN BLAIR: That's why we chose  
22 Flagstaff. When you talk about universal service, you  
23 think of reaching the most remote parts of the United  
24 States, and the bottom of the Grand Canyon is one of  
25 them. So I want to hear from you about that.

1           MR. JAMES: Good afternoon, Mr. Chairman,  
2 Commissioners and ladies and gentlemen. My name is  
3 Lawrence James. I am a district manager for the  
4 United States Postal Service, Arizona District. I  
5 want to welcome you to Flagstaff and thank you for  
6 giving me the opportunity to be here with you today.

7           As lead manager for the Arizona  
8 District, I receive all mail processing and  
9 distribution operation for the entire state, except  
10 for a small portion in the northeast corner of the  
11 state which is serviced out of Albuquerque District.

12           Over 11,600 postal employees serve our  
13 customers in the Arizona District, bringing mail to  
14 2.6 million speedy delivery points six days a week,  
15 and more than 400,000 post office boxes, and the  
16 number of deliveries grows each year despite the  
17 decline in mail buying.

18           Over the last year, the Arizona District  
19 added 60,000 new deliveries. As you may know, Arizona  
20 is the second fastest growing state in the union in  
21 terms of population. We are climbing to over 6.1  
22 million residents. We are serving Arizona's growing  
23 population in better ways, ways that the customers  
24 have embraced so enthusiastically that Arizona is the  
25 number one district in the nation in terms of

1 alternate retail access with 23 percent of Arizona  
2 District's total retail revenue coming from sales  
3 points other than traditional post offices.

4           These include online postage, stamps  
5 available at USPS.com, automated postal services  
6 inside the post office lobbies, ATM machines, Stamps  
7 on Consignment at supermarkets and other retailers,  
8 Stamps by Phone, and contract postal units called  
9 CPUs.

10           We are especially successful in terms of  
11 CPUs, with over 140 currently operating businesses  
12 throughout Arizona offering customers convenient  
13 access to service at the same prices they pay at the  
14 regular post office. We are continuing to partner  
15 with small business owners to host three postal  
16 services, and expect to add ten more CPUs by the end  
17 of this year.

18           We get the mail delivered to a diverse  
19 range of customers, from the citizens of the nation's  
20 fifth largest city in Phoenix, to the Havasupai Tribe  
21 members living in the bottom of the Grand Canyon, who  
22 receive virtually everything they need to live,  
23 including groceries and furniture. Actually, in Peach  
24 Springs, they have a freezer there, a refrigerator, to  
25 keep the product cold before it goes down via mule



1 train five days a week.

2 Many residents of Sun City are served by  
3 letter carriers using the environmentally sustainable  
4 practice of bicycles, and we do an excellent job of  
5 getting the mail delivered to all our customers in a  
6 timely fashion, and we're at -- all of Arizona's  
7 service measurement categories have shown improvement,  
8 and Arizona's First Class Mail delivery score is at 96  
9 percent. I'm very proud of the employees who make  
10 this excellent service happen every day.

11 The core of the Postal Service's mission  
12 is to provide trusted, affordable, universal service.  
13 Changes to the universal service obligation could  
14 affect access and delivery. Access includes channels  
15 such as collection boxes, post offices, and the  
16 alternate access points I mentioned earlier.

17 The Postal Service's ability to fund  
18 these universal service obligations is provided in  
19 large part by the postal monopoly on letters and on  
20 the mailbox. Potential changes to the postal monopoly  
21 could affect the Postal Service's ability to provide  
22 customers with universal service, the affordable and  
23 uniform prices. Changes in the Postal Service  
24 monopoly would raise some additional potential  
25 concerns.

1                   For example, open access to customers'  
2 mailboxes beyond the Postal Service would potentially  
3 impact service to the customer. Such a change could  
4 also affect the Postal Service's ability to continue  
5 its excellent record of serving the public in a safe  
6 and secure environment.

7                   Obviously, our business is all about  
8 connecting people, and my 36-year career has been  
9 built upon doing what is right for people, both our  
10 customers and our employees. Just as our communities  
11 we serve are diverse, so too is our workforce. I am  
12 most proud of the multiple diversity awards I received  
13 over the years, culminating in the national diversity  
14 award I received a few years ago.

15                  Our success here and across the country  
16 is a result of our dedicated employees providing the  
17 best service they can and the Postal Service being a  
18 wonderful place to work. Again, thank you for the  
19 time today and for visiting us here in beautiful  
20 Arizona, and I'll be happy to take any questions you  
21 may have.

22                  CHAIRMAN BLAIR: Thank you, Mr. James.

23                  Ms. Lehrdahl, thank you for coming so  
24 far from Albuquerque. It's interesting that one of  
25 the most important aspects of the USPS is being the

1 face of the Federal Government to many rural  
2 communities. For many people in isolated areas and in  
3 rural America, the only contact they have with the  
4 Federal Government is through the Postal Service. So  
5 as a rural letter carrier, you're providing that face  
6 of the United States Government, so we really  
7 appreciate you coming in today, happy to hear from  
8 you.

9 MS. LEHRDAHL: Good afternoon, Mr. Chairman,  
10 ladies and gentlemen. I'd like to thank you for the  
11 opportunity to provide comments to the report on the  
12 universal service obligation and the postal monopoly.  
13 My name is Stephanie Lehrdahl. I have been a rural  
14 letter carrier for 32 years. My route is 20 miles and  
15 I have 604 boxes in Taylor Ranch, New Mexico. I carry  
16 my route six days a week, every other week, and do  
17 union business on a leave-without-pay basis.

18 I was part of a team of rural carrier  
19 leaders that lobbied in favor of passage of the Postal  
20 Reform Act. We made a big mistake. We did not  
21 concentrate on the due date of the studies.

22 I would like to give you a picture of  
23 the rural mail delivery in New Mexico. We are a state  
24 composed of three predominant urban areas and many  
25 smaller cities, villages and Native American pueblos.

1 Our shortest route in New Mexico is eight miles. Our  
2 longest route is 155 miles.

3 All rural customers in New Mexico  
4 receive the same service, collection and delivery six  
5 days a week. Rural carriers are a post office on  
6 wheels, providing all the services in any post office  
7 to all our customers every delivery day. I will sell  
8 you stamps, mail your packages, and bring you all your  
9 mailing supplies. We deliver Express Mail and Express  
10 parcels on Saturday, Sundays and holidays.

11 The majority of economists and Americans  
12 believe we are now in a recession. Rural letter  
13 carriers are severely affected by this downturn.  
14 Rural carriers are paid using an evaluated system  
15 based on the number of boxes, stops, mileage, and mail  
16 piece count. Measurements are taken annually to  
17 evaluate our rate of pay.

18 Because of the sagging economy, the  
19 average rural carrier nationwide lost between two and  
20 twelve hours per week during the last mail count.  
21 Each hour is worth approximately \$1500 in annual  
22 salary. My route lost four hours per week, as my  
23 husband's route also lost four hours. So the Lehrdahl  
24 household lost \$12,000 in annual income because of the  
25 economic downturn.

1                   The majority of the rural craft is made  
2 up of women. In New Mexico, many of these women are  
3 the sole bread winners for their family. This loss of  
4 income hits the families especially hard. Although  
5 the United States Postal Service shows a decline in  
6 revenue, rural carriers nationwide are sharing the  
7 pain on a personal basis.

8                   I would like to offer a caution about  
9 your study. Please do not utilize Europe or  
10 developing countries as a model for your conclusions.  
11 The United States Postal Service in the USA is not  
12 comparable because of the volume, geography,  
13 affordability, no labor problems. Our USO is six-day  
14 delivery everywhere. We operate on strictly postal  
15 revenue.

16                  The United Postal Service and the U.S.  
17 mailing industry are businesses that are very  
18 sensitive to the economy. We are now in a recession  
19 and it is affecting the combined industry. The  
20 10-year reevaluation is probably a good period to  
21 judge the new regulatory scheme. The current data  
22 available is from the old rate making process, so any  
23 conclusions offered will be -- will only be intuitive,  
24 not quantitative.

25                  I believe that the universal service

1 obligation in the U.S. is a result of collaboration  
2 between the United States Postal Service and our  
3 partners. These partners are in some cases both our  
4 competitors and business partners. DHL, FedEx and UPS  
5 drop parcels off at individual post offices throughout  
6 New Mexico. They help us transport and process our  
7 postal products, and we help them deliver the last  
8 mile.

9 As a result, Americans receive the best  
10 collection and delivery services in the world  
11 regardless of where they live. I urge extreme caution  
12 in applying academic theories to change the best  
13 system in the world.

14 Identity theft and security are huge  
15 problems. An FTC study shows that only two percent of  
16 identity thefts occurred through the Postal Service.  
17 Again, this year's surveys showed that 86 percent of  
18 citizens rank the United States Postal Service as the  
19 most trusted government agency.

20 Because of this trust, the two carrier  
21 unions have agreed with the White House and the  
22 Department of Homeland Security to deliver medicine in  
23 the event of catastrophe. My customers depend on me  
24 to maintain the security and the sanctity of the mail.  
25 Letter carriers are a constant in the lives of almost

1 every New Mexican. They can depend on us every day.

2 Let's discuss volume and delivery days.  
3 Fewer delivery days would substantially delay the  
4 mail. The result would be mailers would have to  
5 readjust their delivery dates of mail to be delivered.

6 You have a very complex assignment. You  
7 have been asked to define the universal service  
8 obligation monopoly, after Congress chose not to do  
9 it. You have data, but not under the new process.

10 Most of the U.S. industries that were  
11 monopolies are now deregulated. The European Union is  
12 commercializing their posts. In spite of those facts,  
13 the U.S. has the most sophisticated and least  
14 expensive mail and parcel delivery network in the  
15 world. We believe that the monopoly in mail and our  
16 competitive partnerships allow a universal service  
17 obligation that is unique in the world. Please be  
18 extremely cautious in proposing change to the world's  
19 most efficient and effective system.

20 Thank you for allowing me to testify  
21 representing the nation's 120,000 rural letter carrier  
22 members. I would be glad to answer any questions you  
23 may have.

24 CHAIRMAN BLAIR: It's a pleasure to hear  
25 from you, ma'am, and I would be remiss in not

1 acknowledging one of the wise men in the postal reform  
2 movement in the audience today, Ken Parmalee, who has  
3 ably represented the rural letter carriers for a  
4 number of years. So, Mr. Parmalee, welcome and,  
5 Ms. Lehrdahl, thank you for your testimony.

6 Our final witness on this panel is Merle  
7 Baranczyk who the publisher of the Mountain Mail in --  
8 is it Saleeda or Salida?

9 MR. BARANCZYK: Salida.

10 CHAIRMAN BLAIR: Salida. Excuse my  
11 pronunciation. Salida, Colorado, and as we talked  
12 earlier, it's in the Upper Arkansas, as opposed to  
13 Arkansas Valley. So we look forward to hearing from  
14 you today. Thank you for coming in.

15 MR. BARANCZYK: Thank you. Good afternoon,  
16 Mr. Chairman and Commissioners. I am Merle Baranczyk,  
17 the director of the National Newspaper Association and  
18 a publisher of a daily newspaper and four weekly  
19 newspapers in and around Salida, Colorado. I appear  
20 here on behalf of NNA, which represents community  
21 newspapers before the commission. I have submitted a  
22 written statement for the record.

23 NNA believes this discussion is timely.  
24 With rising fuel costs and changes to the economy,  
25 examining universal service before -- examining



1 universal service is appropriate. I would address two  
2 main points in my testimony.

3 One, service that is neither affordable,  
4 nor reliable, is no service at all. Therefore, the  
5 concept of universal service must assume that USPS can  
6 achieve both affordability and reliability.

7 Two, the mailbox may be truly the Postal  
8 Services's only monopoly in this age where electronic  
9 transmission is wholesome and robust, but it cannot be  
10 guarded at the expense of depriving any community of  
11 the opportunity for service. Some licensing of  
12 service providers to rural and hard-to-serve areas may  
13 well be required in the future.

14 Let me quickly go through some of the  
15 concerns of NNA that address affordability and  
16 reliable service. In my written statement, I have  
17 laid out a number of the developments in the  
18 periodicals mail that have put meaningful service out  
19 of the reach of some of our readers.

20 The commission, I know, is familiar with  
21 many of NNA's concerns, including its difficulties  
22 with the complex rate schedule created in the '07 rate  
23 case. Many of my publishing colleagues have expressed  
24 mystification about a number of recent postal  
25 policies.

1 I think the trend we have seen in recent  
2 years is inconsistent with the concept of universal  
3 service, and I fear acceleration of that will lead to  
4 an end of that reliance. We are not sure that people  
5 in big cities understand that too much of America,  
6 their major city is one of 20,000 to 30,000 people,  
7 and the local newspaper and the merchants there form a  
8 commercial zone that reaches even smaller towns.

9 To us, a small town is that burg of 1000  
10 or 2000 people who are tied together by a local  
11 church, farming community, or a school. We in the big  
12 cities of rural Colorado need to reach out to a wide  
13 swath of people who are in the truly small towns that  
14 struggle for survival.

15 For example, my hometown of Salida is a  
16 thriving community. We serve a market area that  
17 includes Buena Vista, Leadville, Bailey and other  
18 small towns. Our service is critical to those towns,  
19 but postal changes make it increasingly tough to  
20 provide that service.

21 Our newspapers do actually and actively  
22 publish on the web, but the printed product is still  
23 our primary product. It is the one most of our  
24 readers want, and the website fits a different  
25 purpose, for quick reference, or for out of towners

1 looking for homes to buy. Both readers and  
2 advertisers still want print, and our mail is the  
3 major account for our local post offices which is an  
4 important part of the community.

5 We believe universal service means  
6 keeping us in our towns and the postal patrons in them  
7 in the same important position that you are thinking  
8 as those in big cities.

9 Now we are looking at the dawning of the  
10 Flats Sequencing System. Most of NNA's newspaper  
11 members are thus far outside the zones for FSS,  
12 thankfully, but as a postal committee member, I seem  
13 to be seeing every part of your lists of the Zip Codes  
14 are being swept into these FSS centers.

15 Our members are going to be affected to  
16 some degree as these zones get broader. We are  
17 terrified of losing the ability to enter mail in our  
18 local post offices and having to transport it to these  
19 FSS plants. Poorer service, loss of discounts, most  
20 importantly earlier times -- earlier entry times will  
21 cause major complex shifts in printing schedules,  
22 advertising closings, news deadlines, and so forth,  
23 and will make us less competitive in many markets.

24 We have asked the Postal Service to  
25 permit us to continue delivery unit entry, and so far,

1 we have been refused that assurance. A loss of DU  
2 entry could set up a new wave of alternative delivery  
3 systems. If we cannot count on the USPS to deliver  
4 affordably and on time and to keep us competitive, we  
5 have no service.

6 This leads me to my second point. I  
7 fear that as fuel costs rise and the Postal Service  
8 tries to shave other expenses, we will see a decline  
9 in service to rural areas. In many ways, we have  
10 already seen that, as I detailed in my testimony, but  
11 the day may come with a town the size of Buena Vista  
12 cannot get six-day service, and, indeed, that may even  
13 come to Salida.

14 If and when it does, smaller communities  
15 like ours must have the option of sending their own  
16 homegrown carriers into Denver or Colorado Springs to  
17 pick up the mail and to deliver it to residents.  
18 Depriving small towns of the service they would have  
19 if they were in major cities, would be unfair and  
20 purposeless.

21 If a local business or organization is  
22 willing and able to pick up and close the gap by  
23 helping with delivery, we say we need to consider it.  
24 These local carriers must be licensed, of course, by  
25 the post office and permitted to carry all mail

1 including First Class Mail both to and from local  
2 communities, and they must be paid the same way the  
3 USPS is paid, by the mail class or product that they  
4 delivered.

5           What we may need in the future could be  
6 a franchise-oriented service where the local mail  
7 organization is not only permitted, but encouraged to  
8 develop mail volume, and to provide necessary services  
9 without encumbrance from postal rules.

10           I don't know of any publishers today who  
11 are thinking they want to get into the mail delivery  
12 business, but a dramatic change in our business  
13 environments would get them started thinking that way  
14 in a big hurry.

15           Thus, I hope in its report, the  
16 Commission experts will look to the concerns of rural  
17 America, factor in fuel prices, labor costs, the  
18 effects of unraveling the universal service if the  
19 Postal Service continues to prefer the high density  
20 nationally-focused mail that it has favored in recent  
21 years.

22           The Commission should ask itself, if  
23 USPS decides to leave less populated areas with  
24 something less than universal service, universal  
25 service in the meaning of good service at reasonable

1 price, what steps could be taken to allow those  
2 communities to help themselves?

3 I believe these are questions not for  
4 this year, but certainly for the decade, and I believe  
5 they are questions that the newspapers of America can  
6 help to answer.

7 I appreciate the opportunity to appear  
8 and look forward to your questions. Thank you.

9 CHAIRMAN BLAIR: Thank you very much, and I  
10 wanted to thank you for coming in. I don't know how  
11 far of a drive that was for you today.

12 MR. BARANCZYK: I drove from Phoenix.

13 CHAIRMAN BLAIR: Okay. So you -- well, it's  
14 still a long distance from Salida, so we appreciate  
15 you coming in, and I also wanted to thank Tonda Rush,  
16 as well. Tonda is with NNA and is well known to the  
17 Commission, and we appreciate the work that you've  
18 done at the Commission in providing us with a point of  
19 view of a very important constituency.

20 So with that, I would like to kick off  
21 the questioning. Rather than framing it as questions,  
22 I would like you all to just consider this as a  
23 conversation. We'll throw out some ideas, and we'd  
24 like to hear your thoughts on that because our report  
25 will only be as good as the ideas that we elicit from

1 our panels here and in Portsmouth and in St. Paul,  
2 Minnesota, and from our Federal register notice and  
3 workshops that we're having.

4 So with that, I referenced in my opening  
5 statement six features or dimensions of universal  
6 service; geographic scope, access, range of products,  
7 delivery services, rates and affordability, and  
8 quality of service. Is there anything that we're  
9 missing in looking at universal service according to  
10 those six dimensions, and if there is, what is it and  
11 why do you think it's important? And anyone is free  
12 to answer that question.

13 MR. ROWLEY: Offhand, I can't think of  
14 anything that is covered in those areas.

15 MR. JAMES: One thing I may add, is my  
16 experience with the Postal Service is the security and  
17 sanctity of the mail is something we provide, and it  
18 might be the mail, but comes the way it comes.

19 CHAIRMAN BLAIR: We should consider the  
20 security and sanctity of the mail in the concept of  
21 the USO, but what things would you encourage us to  
22 look at?

23 MR. JAMES: I think when I talk to my  
24 customers, they trust that the mail is in the mailbox,  
25 and if something happened, say, to gift cards in the

1 mail, or anything of value, and I do believe my in  
2 experience people feel very trusted by how the Postal  
3 Service protects their mail.

4 CHAIRMAN BLAIR: Thank you, Mr. James.

5 Anyone else?

6 (No response)

7 CHAIRMAN BLAIR: I'll open it up to the  
8 panel at this point. Commissioner Acton, do you have  
9 any questions for the panel?

10 COMMISSIONER ACTON: Mr. Rowley, I'm  
11 wondering in your discussions with the Postal Service,  
12 have they expressly conveyed to you or to your  
13 association that your preferred method of delivery  
14 that you presently employ would be unavailable to you  
15 under the FSS program?

16 MR. ROWLEY: No. We haven't received any  
17 communication that our current configuration in  
18 Flagstaff, at least in the short run, would be  
19 impacted by any changes that are being considered.  
20 The concerns that I'm representing today are not for  
21 our newspaper, but for other newspapers who, through  
22 NNA, have expressed concerns that they would -- they  
23 would have to make some dramatic changes in where they  
24 are currently entering their mail.

25 COMMISSIONER ACTON: So it's an ongoing



1 discussion?

2 MR. ROWLEY: Correct.

3 COMMISSIONER ACTON: My only other comment,  
4 Mr. Chairman, is really with respect to Ms. Lehrdahl's  
5 commentary. I enjoyed hearing some of the points you  
6 raised, particularly the question about the due dates  
7 on some of the reports that are incorporated in the  
8 statute. I think that this particular one is  
9 ambitious.

10 In December, at the end of this year  
11 when we're visiting the rest of the reform measures,  
12 it's having a lot on the plate. We'll have to do it,  
13 of course, because it's the law now, but I think that  
14 it's an open question on whether it is something that  
15 could be revisited again down the road.

16 MS. LEHRDAHL: Yes, I believe so, that it  
17 can be.

18 COMMISSIONER ACTON: Thanks for all your  
19 comments.

20 CHAIRMAN BLAIR: Commissioner Goldway?

21 COMMISSIONER GOLDWAY: Thank you. I'm not  
22 particularly interested in the issue of universal  
23 service as it relates to access. One of the things I  
24 heard today from Mr. Rowley and Mr. Baranczyk is the  
25 need to assure access in the upstream of the mail, at

1 a point that is convenient and most useful to you,  
2 rather than the Postal Service arbitrarily deciding  
3 where your access should be, and that is an  
4 interesting point that I hadn't really thought of  
5 before, and I will take it back with me when I review  
6 all of the other studies that we've had on this issue.

7 Most certainly, the Postal Service needs  
8 to be efficient, but it also needs to be fair and  
9 equitable in the access it provides, but as a former  
10 consumer advocate, what I usually focus on most is  
11 retail access that the average citizen has.

12 So I'm particularly interested in  
13 hearing from Mr. James as to why there has been this  
14 particular emphasis on contract postal stations here  
15 in your region, and what's the motivation for it, and  
16 what is your thinking about it, and why do you see  
17 that as something that is part of the universal  
18 service obligation?

19 MR. JAMES: The point is get access, and  
20 what you have is the corporate capital is very  
21 expensive. If we can go to places where a lot of  
22 people buy stamps -- like in the City of Scottsdale,  
23 you have six post offices, but you can go to retail  
24 access where people just go buy stamps and purchase  
25 postal products.

1                   It just gives them more availability to  
2 come into the Postal Service, and contract postal  
3 units are a cost effective way of doing that.

4                   COMMISSIONER GOLDWAY: So when you look at  
5 the service that you provide, the retail service that  
6 you provide, are you saying that there is sort of a  
7 minimum that the Postal Service should provide to  
8 everybody, there is a certain amount of access that  
9 should be provided, either retail access points per  
10 population or distance, and you're looking to maintain  
11 that, or how do you calculate what kind of bottom line  
12 service access is that you feel the Postal Service  
13 should provide?

14                  MR. JAMES: Well, it's difficult to go by  
15 population because people may have retail access to  
16 Postal Service where they work. So in dense cities  
17 like the City of Phoenix, that's where they may  
18 purchase their postal products. You try to gauge it  
19 by the community and retail activity. You cover  
20 windows. You want to introduce and make it quick and  
21 convenient for your customers to come in and purchase  
22 stamps.

23                  You can look around to see if you have  
24 any competition in the area, and to me, like I said,  
25 the City of Scottsdale has generated so much revenue

1 from the people, and people like to do it, and if you  
2 also use like a Hallmark card store, people go to  
3 stores to buy cards, so you try to put the access  
4 there so the people that are buying cards, you can buy  
5 the stamps at the same time and you try to make it as  
6 convenient as possible for your customers.

7 COMMISSIONER GOLDWAY: So you're not saying  
8 you need to be a minimum; you're trying to make as  
9 many convenient spots as possible beyond what a  
10 minimum would be. You just want to make it -- provide  
11 as much access is you can?

12 MR. JAMES: You want to do it from a  
13 business perspective, and if it's efficient, you make  
14 as many as possible. With the contract postal units,  
15 you're not building the building, you're not paying  
16 the labor cost, so it's a profitable way of give your  
17 customers more access to your product because it is  
18 convenient to go to a gift card store and buy  
19 postage.

20 Chances are you can encourage your  
21 customers to use your product more and grow your  
22 revenue at the same time.

23 COMMISSIONER GOLDWAY: And are there any  
24 quality controls that you put into contract stations  
25 or into these other kind of retail access to make sure

1 that people get what they pay for or get the right  
2 information about postal services or whether they  
3 don't?

4 MR. JAMES: Yes, we do, and even like with  
5 delivery confirmation, like we have the scanner and  
6 when it's scanned at a contract post, we go back and  
7 watch how they scan and we do visit them and we do  
8 have our marketing folks go out and see what the  
9 contract postal unit does provide, and my wife is one  
10 of the chief ones, too. She goes into the postal  
11 units, too, and will tell them --

12 COMMISSIONER GOLDWAY: She's a mystery  
13 shopper?

14 MR. JAMES: Yes, and she will tell me.

15 COMMISSIONER GOLDWAY: And, Ms. Lehrdahl, I  
16 have sort of similar questions for you, because in  
17 many ways the rural carriers are also the retail  
18 access --

19 MS. LEHRDAHL: Yes, we are.

20 COMMISSIONER GOLDWAY: -- for people. What  
21 is your sense about whether the retail access that you  
22 provide is the most efficient way for distribution of  
23 postal services to average citizens in rural areas, or  
24 do you think there should be more contract postal  
25 stations or, you know, Wal-Mart selling stamps, or

1 would that ease the burden of your work? Would that  
2 upset your customers? What's your feeling in terms of  
3 that?

4 MS. LEHRDAHL: My feeling -- and let me give  
5 you an example. Recently in Albuquerque, we put out a  
6 mailing post office on wheels flier that basically  
7 told everybody our services. We gave them something,  
8 and I brought a sample. It's an orange envelope that  
9 we handed out to our customers, and it lists the  
10 postage. They can buy a roll of stamps. They can buy  
11 a book of stamps. If they want something special,  
12 we'd let them know, just like the forever stamps that  
13 are out now.

14 And we did this specifically right  
15 before the rate increase because we wanted them to buy  
16 the forever stamps. So this is a way of getting the  
17 customer out of having to wait in line. We were  
18 targeting them so we could provide all the services to  
19 them and let them know you don't have to go to the  
20 post office, we're going to do everything for you.

21 I give them one of these in the  
22 mailbox. I fill it right then and there, and they've  
23 got everything there. We have everything. We can  
24 bring them boxes. We can bring them anything they  
25 need, mail packages for them. So I feel that this is

1 a better service that we can offer them while bringing  
2 in revenue for the Postal Service.

3 COMMISSIONER GOLDWAY: And you don't feel  
4 it's an unfair burden or complicates the work that you  
5 do?

6 MS. LEHRDAHL: Oh, no, no. I feel this is  
7 something that the customers need to know, we do this  
8 for them, and this has been going on for years and  
9 years that we provide these services. So we're  
10 letting them know. This is another option so you  
11 don't have to drive to the post office. You don't  
12 have to wait in line to get a package delivered. If  
13 you want any of these services, we're here for you and  
14 we're very glad to do it.

15 COMMISSIONER GOLDWAY: I could go on, but  
16 I --

17 CHAIRMAN BLAIR: Thanks, Commissioner  
18 Goldway.

19 Commissioner Hammond?

20 COMMISSIONER HAMMOND: Thank you,  
21 Mr. Chairman, and Commissioner Goldway asked questions  
22 on most of the main concerns that I have, so I  
23 appreciate you doing that, but I did have a couple of  
24 questions. And while talking to Stephanie and being  
25 the post office on wheels, and Stephanie and I were

1 discussing before the hearing where she comes from a  
2 postal family where she had a father and mother or --

3 MS. LEHRDAHL: Father and uncles.

4 CHAIRMAN BLAIR: Father and uncle in the  
5 Postal Service, and, of course, my father was a rural  
6 mail carrier for 25 of his 30 years in the Postal  
7 Service. So we reminisced for a minute. But, anyway,  
8 there was one thing that I wondered about. We always  
9 think of -- when we're talking that rural carriers,  
10 and all, it is you delivering to a remote farm house,  
11 whatever, but do you -- and I know you're not looking  
12 at looking inside people's mail.

13 But do you have an impression of -- I  
14 know there are many people who now, especially with  
15 the advent of the internet and Ebay, and things like  
16 that, and all, that you have customers on your route  
17 who are small business people that you're taking care  
18 of, also, that are running a small business out of  
19 their house, and that you're providing that service  
20 for small business, also, and it is not just the --  
21 they're running it out of the house, you're not only a  
22 rural carrier for homes; you're really covering things  
23 like that. Do you find that very much?

24 MS. LEHRDAHL: Not particularly on my route  
25 that I have business customers, but I know other rural



1 carriers that have customers that sell like beef jerky  
2 at their house. They make the beef jerky, and we're  
3 trying to provide the services and let them know that  
4 we pick up packages and we have the carrier pickup  
5 where we pick up packages, and that's a service that  
6 we offer, anyway, as far as mailing packages for all  
7 our customers.

8 They do have the option of carrier  
9 pickup where they do mass mailing of packages that we  
10 pick up for them, and we do provide -- like I said, if  
11 they need the boxes to mail everything out, we'll  
12 provide that service for them, also.

13 COMMISSIONER HAMMOND: So if that were  
14 altered under the universal service change, that might  
15 make a possibly significant difference?

16 MS. LEHRDAHL: Yes.

17 COMMISSIONER HAMMOND: And I was wondering  
18 also, Merle, you're in Salida, you're a daily  
19 newspaper, five days a week?

20 MR. BARANCZYK: Yes, sir.

21 COMMISSIONER HAMMOND: And then you have  
22 weekly newspapers to smaller towns around, also.  
23 Right?

24 MR. BARANCZYK: Correct.

25 COMMISSIONER HAMMOND: Now, like your daily,

1 is the Postal Service delivering any of that for you  
2 now, or is that where you're delivering it yourself?

3 MR. BARANCZYK: It's a significant portion,  
4 we have about -- we have 4000 circulation newspaper,  
5 and about 1500 copies get delivered by our rural  
6 carriers, and the few papers that are delivered within  
7 the Salida area, so we depend on the Postal Service  
8 very much for a good chunk of our delivery, roughly 30  
9 percent or almost a third of our delivery.

10 COMMISSIONER HAMMOND: And this is your  
11 daily newspaper?

12 MR. BARANCZYK: This is for our daily,  
13 that's correct, which makes us really concerned about  
14 the FSS possibility. If we are two hours or three  
15 hours from the nearest FSS plant and it takes us three  
16 hours to get there, what happens to our deadline?  
17 What happens to our editorial deadlines, our ad  
18 deadlines, and so on?

19 And the other thing is that in rural  
20 areas, the community depends on their newspapers for  
21 the news of that area, and there is a very --  
22 historically, a very close tie between newspapers and  
23 their community and their government, and even for,  
24 say the weeklies, most weeklies publish on Thursday so  
25 they can get in the news of Monday night's city

1 council meetings and Tuesday night's school board  
2 meetings and still get it out, get their delivery out  
3 that week on Thursday, with weekend events.

4 Well, if FSS happens and we have to  
5 deliver our papers three hours to the Springs to  
6 Denver, what happens to that timely information? It's  
7 not there.

8 COMMISSIONER HAMMOND: I assume right now  
9 with respect to your weeklies, you are -- you are  
10 physically taking that newspaper to the post office  
11 for the town that it is going to be delivered at?

12 MR. BARANCZYK: That's correct.

13 COMMISSIONER HAMMOND: That's where you do  
14 your drop?

15 MR. BARANCZYK: That's correct, the DDU.

16 COMMISSIONER HAMMOND: And so if you're not  
17 allowed to do that in the future for some reason, that  
18 may be a substantive problem?

19 MR. BARANCZYK: It would be a huge problem  
20 for us.

21 COMMISSIONER HAMMOND: With your five-day,  
22 and I know you mentioned in your testimony and others  
23 are also talking about it, the universal service  
24 obligation discussion usually involves issues of if we  
25 cut back to five days a week or cut back to four days

1 a week, or something like that, but if it ever came to  
2 only being four days a week, who wants your five-day  
3 newspaper? Do they want -- are they willing to get  
4 Thursday's paper on Friday, along with Friday's, and  
5 so forth? What kind of effect would that have?

6 MR. BARANCZYK: We would be forced to look  
7 at an alternative delivery system. We would have to  
8 go to the trouble of duplicating what the post office  
9 is already doing very efficiently, and that just  
10 doesn't make sense to us, to -- in a community where  
11 you have the daily newspaper, people are depending on  
12 that news the very next day. They want that news.

13 If there is a city council meeting or a  
14 county commissioners meeting or a school board meeting  
15 or hospital board, any of these types of meetings, we  
16 would want to have that information the next day or  
17 next morning.

18 So they've grown to expect that, and in  
19 weekly communities, and -- in communities served by  
20 weeklies, I should say, people grow dependant on that  
21 and build their schedules around it. So if, for  
22 example -- well, we're not going to have Thursday  
23 deliveries anymore, what is that going to do to our  
24 subscribers? What is that going to do to the  
25 relationship between newspapers and the community and

1 their government, the local government?

2 COMMISSIONER HAMMOND: Okay. Thank you.  
3 Even though Ruth had asked a good number of questions  
4 to Larry on the contract postal units, it seems like,  
5 and as you put in your testimony, that it looks like  
6 especially your district has worked very hard on  
7 customer -- outreach to customers, if nothing -- if  
8 that's the best way to put it.

9 MR. JAMES: Well, I think that the outreach  
10 to the customer is very important, because it's not  
11 only to make it convenient for your customers, but  
12 people that use alternate products. If it's more  
13 convenient, chances are they'll use your product, and  
14 we are trying to build some new facilities beyond  
15 contract postal units for the growth and demand of  
16 facilities, too, but you try to make it more  
17 convenient so you can upgrade profit.

18 COMMISSIONER HAMMOND: Part of it is because  
19 your area is one of fastest growing areas, but you  
20 don't consider the contract postal units to be  
21 necessarily a substitute to when a new post office is  
22 necessary, but more as a supplement for better service  
23 or --

24 MR. JAMES: Well, when you say post office,  
25 one of the functions of the post office is to house

1 the letter carriers and do the delivery operations and  
2 the clerk operations are processing the mail. Where  
3 the contract postal units come in is retail up front.  
4 They can help you compliment what you have out there.  
5 Most contract postal units do not have mailboxes. The  
6 customer is running, so they can compliment it that  
7 way, but the main unit has the mailboxes, the carrier  
8 operation and the clerk operation.

9 COMMISSIONER HAMMOND: Have you looked at  
10 ways -- do you have in your area a waiting list for  
11 post office boxes for people?

12 MR. JAMES: We have some parts with waiting  
13 lists, but we don't really have -- I think we rent,  
14 and I'm not sure, about 429,000 of the 460,000 boxes  
15 we have, and I have to go back and check the numbers.

16 COMMISSIONER HAMMOND: Okay. Thank you.

17 I have one question of Don that I  
18 hesitate to ask, but we had a great discussion this  
19 morning with you here, and it was focused mostly on  
20 much of your business aspect of the newspaper, but a  
21 publisher of a newspaper has to have the pulse of the  
22 people better than anybody in order to survive, and  
23 that's the way it has been in the communities for  
24 years and years and years.

25 Do you have a general impression of what

1 the folks around Flagstaff think of the postal service  
2 they get now and what they perceive to be a universal  
3 service obligation, whether they care whether it goes  
4 away or stays the same or if it changes? I know I'm  
5 hitting you up for a general impression, but you're  
6 one of the key best people to ask.

7 MR. ROWLEY: Well, I think one of the ways  
8 that we gauge public sentiment about anything is in  
9 our letters to the editor, and I can't remember the  
10 last letter to the editor that we received with any  
11 comment about the service from the post office, and I  
12 think that our assumption is that the newspaper is --  
13 if people are satisfied, they're fairly silent. It's  
14 only when they're dissatisfied, that we hear from  
15 them.

16 So I don't think that it's really on the  
17 radar screen for most residents of Flagstaff, and that  
18 would lead me to believe that, for the most part,  
19 they're satisfied with the level of service. As to  
20 the notion of their understanding the universal  
21 service obligation, I would guess that most citizens  
22 in Flagstaff or any community couldn't offhand  
23 articulate what that even means or haven't given a lot  
24 of thought to the monopoly that the post office has  
25 and the advantages and the disadvantages of that.

1           I think they think fairly simply -- that  
2 they expect their mail to get to them every day, and  
3 it pretty well does, and they're happy with that. I  
4 can say that we have had -- we occasionally have had  
5 such severe weather that in some areas, the post  
6 office been has not been able to deliver mail, and we  
7 sense there is almost more tolerance for that than  
8 when we don't get the newspaper to them, but I believe  
9 they seem pretty understanding of the kind of  
10 challenges that the community with some remote rural  
11 areas like this place has.

12           COMMISSIONER HAMMOND: Thank you. I could  
13 go on, but I'll stop.

14           CHAIRMAN BLAIR: I just had one last  
15 question. We talked about six-day-a-week delivery,  
16 and then Mr. James referenced the five-day-a-week  
17 delivery down in the bottom the Grand Canyon, and  
18 Ms. Lehrdahl talked about her experience in rural New  
19 Mexico.

20                   Particularly for the two Postal Service  
21 representatives, do we -- are there areas that receive  
22 less than six days, other than the Grand Canyon -- in  
23 your areas that receive less than six-day-a-week  
24 delivery?

25           MR. JAMES: I only have one little place --



1 it's actually Blue, Arizona, Monday, Wednesday,  
2 Thursday. Actually it's in the northeast corner out  
3 of Albuquerque, and there's the very small community  
4 of Box, and that's about it.

5 MS. LEHRDAHL: I don't know of any offices  
6 that don't deliver six days a week.

7 CHAIRMAN BLAIR: I think that's helpful for  
8 us, because as we engage the level of service that's  
9 provided throughout the country, knowing those areas  
10 that don't receive it, and if it's a small sub-set and  
11 just what the issues are, that will help us better  
12 conduct our study.

13 And one last question would be that  
14 there seems to be a lot of concern over the Flats  
15 Sequencing System and its implementation and how it  
16 impacts on access to the postal system.

17 Mr. Rowley brought it up, Mr. Baranczyk  
18 brought it up, and you seem to be suggesting that if  
19 that access is denied, then a hard look needs to be  
20 made at the mailbox monopoly. That's rather radical.  
21 Is that your position?

22 MR. ROWLEY: Well, I think we're -- as a  
23 daily newspaper, we don't have the same set of  
24 concerns that a weekly newspaper has. A weekly  
25 newspaper in many instances depends wholly on the U.S.

1 Mail for delivery of their product. In the case of  
2 the daily newspaper like ours, we already have a  
3 distribution system for our daily newspaper, and we  
4 rely on the post office to deliver our total market  
5 coverage publication to non-subscribers.

6 It would be easier for us to adapt, if  
7 we had to, by expanding the role of our delivery  
8 people to include our TMC product, than a weekly  
9 newspaper, so I don't think that --

10 CHAIRMAN BLAIR: Are you asking for access  
11 to the mailbox, though?

12 MR. ROWLEY: No. I think that our interest  
13 in that would be substantially less than a weekly  
14 newspaper who might be saying, "Well, if you can't get  
15 to those addresses through the post office boxes on  
16 certain days, then let us do it." So our view on that  
17 is the daily newspaper is probably somewhat different  
18 than that of the weekly.

19 CHAIRMAN BLAIR: Mr. Baranczyk, do you want  
20 to weigh in?

21 MR. BARANCZYK: Yes, I do. Thank you. NNA  
22 represents something like 6000 or 7000 weekly  
23 newspapers or that we serve to represent, and it would  
24 be a real issue for these small papers to not have  
25 access directly to their post office. It would force

1    them to put together distribution systems that they  
2    don't have to do right now. They don't have to have a  
3    carrier force because they do so clearly depend on the  
4    post office for delivery and for timely delivery and  
5    consistent and reliable service.

6                    So it would be a major issue for a lot  
7    or for very -- or, for the vast majority of small  
8    newspapers across the country that serve so many rural  
9    areas of the country to have to deal with something  
10   like FSS, or if access is denied to their local post  
11   office, what are they going to do to come up with some  
12   type of delivery service that meets the same need,  
13   provides the same service?

14                   MR. JAMES: Could I comment on that?

15                   CHAIRMAN BLAIR: Please.

16                   MR. JAMES: Regarding FSS -- and I would  
17   like to talk -- I really don't have a full  
18   understanding, because the purpose of FSS is to put  
19   mail in zone sequence for zones with heavy volumes.  
20   So I would like to talk to both gentlemen, but I know  
21   I'm not targeting those zones. So I would like to  
22   talk to both and maybe get an opinion back to you  
23   later.

24                   CHAIRMAN BLAIR: Absolutely. When we had a  
25   discussion earlier this morning with Mr. Rowley, I

1 said you're going to have some key people here this  
2 afternoon, and so you can raise those concerns, as  
3 well.

4 MR. JAMES: One of the concerns he had was  
5 his drop on Tuesday, was delivered today, and there  
6 was no intention to bring that in with the machines.  
7 It's kind of like you have automated equipment to put  
8 the mail in five digit order, but the FSS's intention  
9 is to put the mail in zone sequence order, and  
10 inherent in that or part of it, is you need large  
11 volumes of mail to make the economy scale and the  
12 large zones like Scottsdale, Mesa and City of Phoenix  
13 is where you're talking.

14 CHAIRMAN BLAIR: Okay. Commissioner  
15 Goldway, did you have one last question?

16 COMMISSIONER GOLDWAY: It's really not a  
17 question. It's a request. I thought the discussion  
18 today was really interesting about the civic role of  
19 the small newspapers and the community role of the  
20 rural carriers in reaching out to people who don't  
21 have somebody representing them, and I'm hopeful that  
22 in -- that in some supplementary comments that you can  
23 give to us that you will expand on that social  
24 community responsibility of universal service  
25 obligation so that the role of the mail is, as I see

1 it, not just a business proposition, not just to be an  
2 efficient communications tool, which it is, but also  
3 to bind the nation together.

4 And many of us think, "Well, we have  
5 telephones and we have, you know, televisions, and we  
6 have the digital internet, do we need this binding of  
7 the society together anymore," and I think you brought  
8 up some very important ways in which we still really  
9 do need the Postal Service for that vital community  
10 function. So I would like to have more of that on the  
11 record, if you can provide it.

12 CHAIRMAN BLAIR: And we saw that yesterday  
13 in Jerome, the one stop shop and the multitasking that  
14 the Jerome Postmaster performs. With that, I would  
15 like to conclude our first panel. Again, thank you so  
16 much for coming in. Your testimony adds so much value  
17 to the work we're doing, and if we have any follow-up  
18 questions, we'll submit them to you in writing, but at  
19 this point, thank you for coming in. I appreciate  
20 your time and efforts.

21 And following this panel, if we could  
22 bring in the next three witnesses.

23 Good afternoon, everyone. Thanks for  
24 coming in. This panel today is comprised -- I'm  
25 particularly pleased to be able to welcome you today.

1 I think we're going to have some really interesting  
2 testimony. We started out with Cameron Powell who is  
3 the vice president for strategic development at Earth  
4 Class Mail in Seattle, Washington, so the Commission  
5 welcomes you and appreciates your testimony.

6 Second will be Jan Pritchard of the  
7 Flute Network. I came in on the rate case in December  
8 of 2006, and I have to say that your presence and your  
9 testimony before the Commission and participation in  
10 that case meant a great deal to the Commission, and  
11 the Commission certainly impacted and took heart to  
12 the testimony that you gave before it and what you did  
13 in that case.

14 Our third witness today is Matthew  
15 Panos. He's the vice president for Ministry and  
16 Partnership on Resources at Food for the Hungry in  
17 Phoenix. Welcome. We appreciate your testimony  
18 today.

19 I ask that we all include your full  
20 statement, and if you could summarize, we're happy to  
21 receive that. So, Mr. Powell?

22 MR. POWELL: Thank you, Mr. Chairman,  
23 Commissioners and passing train conductors. Thank you  
24 for providing Earth Class Mail to speak about the  
25 future of our Postal Service. My testimony today will

1 elaborate on my written submission's explanation of  
2 the single most transformative act that the Postal  
3 Service can take to evolve, which in turn it must do  
4 to survive.

5                   Let me clearly state my biases. I hail  
6 from a rural town of about 2000 people that is four  
7 and five hours from any major metropolitan area in  
8 northwestern Colorado. My company is entirely  
9 dependent on people continuing to put stamps on  
10 envelopes and paper in the mail. I have no wish to  
11 see mail go away.

12                   My thesis, however, like my company's  
13 21st century technology, is dedicated to the  
14 proposition that Postal Services, for their own sake  
15 and for the sake of individuals and businesses that  
16 receive mail, have no choice but to begin to answer  
17 the demands of people who receive paper-based  
18 communications, and what they demand is choice in how  
19 they receive and manage those communications.

20                   Technology changes culture, and culture  
21 changes technology. New technologies less than 20  
22 years old have totally transformed human culture in  
23 developed countries. They've changed our expectations  
24 about communications. They've changed the way we live  
25 and work and relate to one another and, meanwhile,

1 Americans are much more mobile. We have mobile  
2 homes. Our expectations of how technology must  
3 facilitate our lifestyles have changed considerably.

4 What are these new technologies? They  
5 are the internet, digital imaging, and new automation  
6 methodologies that have all had to adapt to the  
7 demands of humans who insist on using the internet to  
8 manipulate material things. Taken together, we call  
9 the human experience of these technologies as  
10 expressed in the bible of business models as online  
11 postal mail.

12 Online postal mail simply uses one of  
13 the quintessential features of the internet, the  
14 instant feedback loop between user and a business to  
15 provide the intended recipients of paper-based  
16 communications with more choice and empowerment than  
17 ever before.

18 Would you like that as paper, or in  
19 digital form? Do you want it now, or later? At the  
20 usual place, or elsewhere? Do you want to shred the  
21 paper, recycle it, or forward it? Would you like to  
22 print the electronic version, sign it, or copy it,  
23 forward it? Do you want more of these communications,  
24 or fewer? Are there communications about new products  
25 and services that you are not getting but would like



1 to have? Would you prefer to receive digital  
2 advertising in full color on your computer or mobile  
3 phone, perhaps even video ads? All of it something  
4 you can interact with, or do you prefer the way of the  
5 envelope?

6                   Is there anything else the Postal  
7 Service can do for you in exchange for revenues  
8 previously not dreamed of? The Postal Service can  
9 easily begin to offer a superior version of what  
10 private companies are already offering today, 21st  
11 century mail receiving technologies that give choice  
12 and empowerment to -- well, to just about everybody,  
13 because everybody gets mail, but we can start with the  
14 following to rural residents, including people at the  
15 bottom of the Grand Canyon and the 20 million  
16 customers with P.O. boxes and countless general  
17 delivery customers, highly mobile mail recipients,  
18 such as college students, road warriors, relief  
19 workers, military personnel, disaster relief personnel  
20 and mobile home owners.

21                   I am a road warrior. I can check and  
22 manage my home and business postal mail right now  
23 during this hearing. Another beneficiary would be  
24 populations with other types of critical needs, such  
25 as battered women seeking anonymity through an address

1 they don't actually live at, the homeless and victims  
2 of disasters, and even people in the middle of  
3 prohibitive weather that can't be delivered to.

4 Another category would be legitimate  
5 individuals and businesses around the world such that  
6 the Postal Service could greatly expand its target  
7 market and eventually large enterprises who our  
8 company is seeing for whom lack of choice about having  
9 to move paper to people or people to paper is often a  
10 mind-boggling waste of direct cost and loss of  
11 productivity.

12 In my written submission and in our  
13 e-book, I described in greater detail how online  
14 postal mail would work for the Postal Service. Here  
15 I'll just focus on a few of the benefits which I think  
16 are extraordinary enough. One is high revenues.  
17 Again, the Postal Service could begin finally to cater  
18 to the unique needs of a market that comprises one  
19 half of every mailing transaction, a market that is,  
20 therefore, the single largest source of untapped  
21 revenue the Postal Service could ever hope to  
22 discover.

23 The Postal Service could increase its  
24 target market by adding international customers who  
25 want U.S. based physical addresses for legitimate

1 reasons. The Postal Service could fulfill more and  
2 more consumer demand for services that address the  
3 entire life cycle for both paper and digital  
4 documents. It could lower its costs, especially the  
5 sorting and delivery costs. It could increase its  
6 margins. It could provide better service for P.O. Box  
7 holders, homeless people, general delivery customers  
8 and anonymity seekers such as battered women, as well  
9 as relief workers and disaster victims.

10 They could improve and attract far more  
11 customers to its premium mail forwarding service and  
12 save two billion a year in mail forwarding costs,  
13 billions more unaddressed as deliverable mail, and a  
14 great deal more processing and reacting to, I think,  
15 45 million change of address orders per year.

16 The Postal Service could offer both  
17 scanning of mail and other incentives as grounds for  
18 consumers to choose, say, a Monday, Wednesday and  
19 Friday delivery. So the delivery costs of non-urgent  
20 items and non-time-sensitive items could be reduced  
21 the other days of the week. This could be  
22 particularly useful on rural routes.

23 The Postal Service could offer  
24 individuals and businesses disaster preparedness and  
25 business continuity that mail fails to provide today,

1 and by better insulating us against the economic  
2 aftershocks of disaster, it could improve our national  
3 security.

4 And, finally, in my brief listing of  
5 benefits, the Postal Service could radically cut its  
6 environmental impact by reducing the amount of heated  
7 and cooled real estate that is needed to process  
8 paper, electrically power operations, sortation of  
9 vehicles, and emissions from trucks, including the  
10 trucks of enterprises that drive around campuses and  
11 do vast amounts of deliveries every day, while also  
12 improving especially the poor rate of recycling of  
13 mail, which is only at a rate of about 22 percent  
14 according to the EPA, whereas in a system similar to  
15 ours is at closer to 90 or 100 percent.

16 As the many privatized services are  
17 coming to realize, Postal Services can evolve and  
18 survive only by ceasing to view themselves as merely  
19 logistics and transportation companies. Instead, they  
20 must understand that their business is actually  
21 communications, binding people together with  
22 communications of all kinds.

23 Paper-based communications will not go  
24 away any time soon, but there will be a transitional  
25 period, and it is for that transition that progressive

1 postal services around the world are preparing now.  
2 Just as auto manufacturers cannot go all electric  
3 overnight, the Postal Service cannot jump straight to  
4 a digital paradigm. To get from gas to electric or  
5 paper to digital, you must go through a hybrid stage  
6 during which you offer both.

7                   If the U.S. Postal Service is to offer  
8 universal service at a reasonable price, it must make  
9 more money or cut unnecessary costs or both.  
10 Fortunately, the Postal Service has available to it  
11 today a hybrid paper to digital technology far more  
12 viable than what auto manufacturers have in their  
13 hybrid model.

14                   We in private enterprise have already  
15 done the research and seen the relevance. We've  
16 proven the market demand, and all the Postal Service  
17 has to do now is engage in the attempt. Thank you  
18 very much.

19                   CHAIRMAN BLAIR: Thank you, Mr. Powell.

20                   Ms. Pritchard?

21                   MS. PRITCHARD: Hi. Good afternoon, and I  
22 appreciate very much your kind words. Thank you. It  
23 was an honor to do that and have that opportunity, and  
24 it's an honor and a pleasure to get to be with you  
25 here today. I hope to offer what may be food for

1 thought and more, as you may remember from the large  
2 volume of information I gave you before.

3           Regarding this reconsideration of the  
4 notions of universal service, the universal service  
5 obligation and the postal monopoly and the joining in  
6 the discussion of these important issues, I am here as  
7 the owner and publisher of the Flute Network. We are  
8 a small and entirely volunteer entity now closing in  
9 on the end of our 24th year of service as a bulletin  
10 board service for flutists, for teachers, and the  
11 people who love these kinds of folks.

12           In addition to a website presence which  
13 has become absolutely requisite in recent years for  
14 businesses of all kinds, we continue to organize and  
15 publish an ad letter typically 8 to 12 pages which  
16 goes out free of charge nine times a year now to some  
17 6100 different subscribers nationwide.

18           One of the many things I learned while  
19 organizing information and preparing to share it all  
20 with you here today, is that five minutes is just not  
21 a very long time, especially given the magnitude of  
22 subjects we're here to talk about and the magnitude of  
23 the task at hand.

24           I don't know how to be any less than  
25 thorough when it comes to considerations like this.

1 What works for me is to dive in and wrap my head  
2 around as much of it as possible so that the core  
3 issues will rise to the top. All of that is condensed  
4 down to sixteen pages of thought, and the rest are two  
5 supplementary documents, as have been requested. So  
6 I'm going to submit that as a secondary document, and  
7 what -- after hearing what was discussed today, I'm  
8 excited beyond words because you will find echoes of  
9 many of the comments and concerns in the document that  
10 I have given to you as the secondary document.

11 I would like to try to use the rest of  
12 my allotment of time to highlight a few of the things  
13 that may have fallen through the cracks and some of  
14 the information that is in that bigger document. You  
15 will find I mention especially the social aspects in  
16 there and the whole tactic of binding people  
17 together.

18 I practically climbed out of my seat  
19 when you mentioned that. The beginning is always a  
20 good place to start. You already know that I produce  
21 the Flute Network and that I testified in the rate  
22 case under the name of Flute.

23 In this paper document, I will begin  
24 with a more considered background on how it is that  
25 Flute Network came to be, especially how it came upon

1 the convictions that drove its development and that  
2 how a conviction-driven philosophy can, indeed, be  
3 reflected in tangible form with all the related  
4 dimensions of dollars and cents and accountability.

5 I felt this to be an important  
6 groundwork to lay, because one of the things I would  
7 like to suggest to you in your consideration is that  
8 the notion of universal service, with or without the  
9 obligation part, and the postal monopoly laws, are  
10 also deeply philosophical and value-laden, even as  
11 they have overwhelming importance for income to  
12 balance sheets, dollars and cents, and the pressures  
13 of those who seek to influence the national policies  
14 related to them.

15 It's going to take courage and no small  
16 degree of spine to play in these realms, and I commend  
17 you for taking that task on, even if it was started by  
18 language in the PAEA. As I see it, there are a number  
19 of letters related to the potential future and the  
20 whole issue of mailing that may or may not influence  
21 the direction you decide to go in defining the future  
22 scope of responsibility and the practical handling of  
23 universal service and postal monopoly.

24 I think what I can legitimately offer  
25 you has less to do with rules and regulations and



1 business models, and is more something along the lines  
2 of the view from the little guy out here and the  
3 potential mailer.

4           Essentially, I will be taking an outside  
5 looking in point of view. The one most important part  
6 that I would like to give voice to today is to  
7 encourage the Postal Regulatory Commission to, please,  
8 to the best of your ability, take a long view on these  
9 questions, as they are indeed of historical magnitude.

10           It's going to be especially challenging  
11 to keep the big picture in mind, and I don't envy you  
12 your task. No less than a dozen times in just the  
13 preparation of these materials, I thought that I had  
14 it all figured out, and a new idea would present  
15 itself, and in fair consideration of it in the context  
16 of all the rest, it would take me right back to square  
17 one.

18           All I know is that in the past, for the  
19 Flute Network at least, when confronted with similar  
20 challenges, I found that without fail, the best way  
21 forward was always in line with a firm conviction and  
22 solid principles about choosing to do whatever was the  
23 right thing to do, even if at the time it possibly  
24 wasn't what I particularly wanted to do, and even if I  
25 was pretty sure that on the face of it, what I was

1 being asked to do was totally impossible, and even if  
2 I couldn't see my way forward.

3 If it passed this test of is it the  
4 right thing to do, then the clear way forward always  
5 made itself known sooner or later. No matter what,  
6 though, there would certainly be more work to do, and  
7 more often than not, lots of it. What that means in  
8 this context is I would encourage you to consider the  
9 reasons why someone would recommend moving away from a  
10 given model, as much as they are trying to convince  
11 you to move towards another one, and listen for the  
12 deep, subtle indications of what is the right thing to  
13 do.

14 Another theme in there has to do with  
15 encouraging and begging you to go beyond just the  
16 proposals to an active -- to actively imagine the  
17 consequences of the choices you will make as regards  
18 both the ideological and the operational decisions for  
19 the handling of universal service, with or without the  
20 obligations part, and the postal monopoly options.

21 To take one example in terms of the  
22 questions before us today, when it comes to providing  
23 the aspect of universal service, it has to do with  
24 allowing the United States Postal Service to drop  
25 service areas for whatever reasons or to relax

1 universal service obligations. There is peril in the  
2 question of just who would we choose to leave out.

3 On the basis of it, the potential of  
4 cutting back on service areas for mail delivery,  
5 heightens emotions, because it is a threat that tends  
6 to be taken personally, the idea being if somebody can  
7 get left out, it just might be me, or maybe somebody I  
8 really need to send stuff to, and that's just not  
9 acceptable. Even were other delivery options ready to  
10 fill the gap, unless their costs were substantially  
11 less and their service is substantially better, which  
12 is a combination that people would willingly gravitate  
13 towards, the political consequences for politicians in  
14 those areas would likely be swift and stern.

15 Though I have not had the opportunity to  
16 research it, yet, my sense of it is that losing postal  
17 service in the home area is not generally conducive  
18 for one's reelection, especially now that we're in the  
19 second consecutive year of serious annual postage rate  
20 increases, yet here we are talking about cutting back  
21 on services. So, again, we have another case where  
22 fundamental values, beliefs and convictions about big  
23 issues can really help.

24 Another part of that big picture view  
25 that I encourage you to take is looking beyond the

1 current generation, beyond the what's coming next to  
2 the what's coming after that. This relates to your 10  
3 to 15 years out consideration. The kids who are now  
4 in junior high school and high school and early  
5 college, they're a different group.

6 Now, we're already noticing a decline in  
7 letter mail for quite a number of reasons, one of them  
8 attributing this drop in volume to people  
9 communicating more online and paying bills more online  
10 than they used to.

11 But these kids -- according to quite a  
12 number of university administrators I've talked with  
13 from here and overseas, these kids simply do not do  
14 email, nor do they read the emails they get. If you  
15 want to get a message through to these kids, you have  
16 to text it, because they're always on their phones,  
17 and I'm sure you've seen it, too. They're LOL'ing and  
18 PRB'ing, PRLS-ing and CU-ing, all the time.

19 These kids have been called by some the  
20 Burger King generation, as in they want it their way,  
21 they want what they want tailored just for them, they  
22 want it big and colorful and flashy, and they don't  
23 want to have to look for or have to wait for what they  
24 want anywhere along the line. They want what they  
25 want handed to them, and there's a new phenomenon

1 called push technology that is rising up fast and  
2 furious these days to give it to them.

3 I was struck by hearing the testimony  
4 today of how that overlaps that with some of the  
5 provisions that are provided by the rural letter  
6 carriers. So looking in a bit further ahead, as I  
7 think we need to do now, the question really becomes  
8 how do we make the Postal Service relevant to people  
9 who won't even use whole words to communicate.

10 I think there is hope. I think we can  
11 talk about that, and I do talk about that in the  
12 bigger document there. One bit of that also has to do  
13 with the potential for the vote by mail idea. I think  
14 that could be especially important down the line.

15 Now, approximately four of those pages  
16 are a retelling of an episode in the history of the  
17 United States Postal Service that I bring forward  
18 because I'm convinced that both the U.S. Postal  
19 Service and the Postal Regulatory Commission could  
20 take real advantage of some of what I saw in there and  
21 run with it. These points are really rather timeless  
22 things. I also came across and include a reference to  
23 a paper by Charles Kinney who quoted A.J. Campbell who  
24 said in a paper presented in Ireland that the United  
25 States only mandated universal home delivery in 1958

1 and had introduced one price delivery in 1885. Then  
2 Kinney goes on to conclude that the postal monopoly  
3 far predates one price delivery and universal service  
4 obligations, suggesting the justificatory link between  
5 the three developed ex-post.

6 Then there is the section where I share  
7 insights and discussions with a friend of mine which  
8 took place just this past weekend. This gentleman is  
9 a high-ranking consultant in a private consulting firm  
10 to the electronic power industry. Since the late  
11 1980s, he's also done work in the U.K., Canada, New  
12 Zealand and Australia, and has been plagued with  
13 notions at how the mail system might work should it  
14 mirror what is happening in the power industry.

15 And let me tell you, it isn't pretty,  
16 but I've included it all in there for you, as well,  
17 and there's lots more, and I'm aware that I'm running  
18 out of the last milliseconds of my five minutes.

19 There's one last thing I really wanted  
20 to get in. One way or another, just by paying  
21 attention to something, change happens. It always  
22 does. When it comes to something as monolithic as the  
23 U.S. Postal Service, no matter what comes out in your  
24 final report, there is going to be change of some sort  
25 reflected in it for somebody.

1                   What it's going to come up against is  
2 inertia. Inertia is hard to overcome, but survival is  
3 a powerful and proven motivator. The path forward can  
4 be laid out clearly in well thought through rationales  
5 which are based on widely held convictions and  
6 cultural values. People will likely have an easier  
7 time choosing to buy into it, or not. Either way,  
8 they are not going to like having to make a choice.  
9 They won't like having the comfort of their route  
10 compromised. There will be screaming.

11                   Competing with this is also a hunger to  
12 feel a part of something, a vital part of something  
13 that is growing, dynamic and exciting and leading to a  
14 clearly better way of doing things. A well thought  
15 out vision, one which brings us along in the making of  
16 it, can tip the scales in favor of the latter.

17                   Whether you decide ultimately to  
18 reconfirm the universal service obligation and the  
19 postal monopoly as belonging to the USPS or redefining  
20 it in some way, please make every effort to bring us  
21 along in the reasoning for it. Help us see how the  
22 decisions were made and help us understand the  
23 convictions, principles and values which drove them.  
24 Help us see that you have thought through the  
25 consequences and ramifications of making that vision

1 realized for both the entities most directly affected  
2 and the ancillary ones that support them.

3 Most of this country are reasonable  
4 people most of the time, and I do believe that most  
5 folks in this country would choose the good of --  
6 would choose the good of the many over the good of the  
7 few, unless, of course, the good of the few happens to  
8 include the proverbial me.

9 When that is the case for someone,  
10 usually all bets are off. And thank you for your  
11 time, and I regret that I wasn't able to squeeze  
12 everything into five minutes, and I hope that the  
13 documents accompanying this testimony may prove useful  
14 and at least amusing.

15 I'd be happy to take any questions, and  
16 at the end of the packet, I have included a copy of  
17 our most recent issue for you, as well.

18 CHAIRMAN BLAIR: Thank you.

19 Mr. Panos?

20 MR. PANOS: Thank you for the opportunity to  
21 be here to discuss the importance of the universal  
22 postal service in the non-profit community. Much of  
23 what I have to say is by necessity intuitive, rather  
24 than quantitative. In some respects, it's unfortunate  
25 that this study is required so soon after the enacting



1 of a new law.

2 We have all, as you know, been very busy  
3 trying to comply with the new laws and really haven't  
4 had enough time to crunch all the numbers and really  
5 come up with the answers to many of your questions.

6 A little bit about my background and  
7 current position, as I think it will bring perspective  
8 to what I have to say. In 27 years of non-profit  
9 marketing and major fundraising experience, I held  
10 leadership positions with the Muscular Dystrophy  
11 Association, St. Jude Children's Research Hospital,  
12 Baptist Hospital and Health Systems, and currently  
13 serve as vice president of the Ministry Partnership  
14 and Resources with Food for the Hungry based in  
15 Phoenix, Arizona.

16 In my professional and volunteer roles,  
17 I am a former president of the National Voluntary  
18 Health Association of California, and I held  
19 leadership roles with the Los Angeles and Orange  
20 County chapters of the National Society of Fundraising  
21 Executives, which is now called AFP or the Association  
22 of Fundraising Professionals. I'm also part of the  
23 Direct Marketing Association's non-profit federation  
24 where I currently serve as an advisory board member.

25 Food for the Hungry is a Christian

1 international relief and development organization and  
2 our organization counts on the mail to receive support  
3 from donors and to communicate with our donors and the  
4 public about the importance of our mission and to help  
5 people around the world. Food for the Hungry, as well  
6 as our other non-profit organization I've been  
7 affiliated with and/or have knowledge of, and was  
8 recently a part of 350,000 non-profit permit holders,  
9 which uses the mail as its fund-raising anchor.

10 In the case of Food for the Hungry,  
11 we're a mid-sized organization, mailing about four and  
12 a half million pieces of mail per year. Our most  
13 recent mailings were directed to meeting emergency  
14 needs for the disasters in Myanmar and China. We're  
15 those global road warriors Mr. Powell talked about.  
16 We're exempt from the Federal do not call  
17 restrictions, but think about it. How else other than  
18 the mail can we reach our known community of givers so  
19 quickly and effectively?

20 Giving is also a pillar of the tax  
21 code. It allows a citizen, not government, to help  
22 society. Mail is the least intrusive means available  
23 to non-profits, and I suspect commercial entities, as  
24 well, to reach the public, and for those who donate,  
25 it is the most secure means of giving.

1           According to the FTC, there is very  
2 little ID theft that is mail-related. Moreover, the  
3 demographics of the "who" that gives, the difference  
4 in who gives is tilted towards the upper age brackets,  
5 individuals who often times do not have other modes or  
6 trust other modes of giving.

7           Some examples. 73 percent of our direct  
8 mail donors are 50 and over. 45 percent are 70 and  
9 over. 15 percent are 80 or more. Most of these  
10 supporters do not use any other medium for their  
11 giving. Based on my relationships with the non-profit  
12 world, I can say that the most long-standing  
13 non-profits have similar donor demographics in their  
14 direct mail programs. You will not be surprised that  
15 as an anchor, the mail is irreplaceable fund raising  
16 channel.

17           The current level of the mail service  
18 not only provides the best and in some cases the only  
19 means of reaching everyone, everywhere, every day for  
20 fund-raising purposes, but it also provides other  
21 benefits which supplement our efforts to meet people's  
22 needs.

23           Letter carriers, for example,  
24 periodically collect food donations on their routes  
25 and are a daily lifeline to the house bound, elderly

1 or infirm. Our community seeks support from the  
2 public and provides support to the needy.

3 We must have a reasonably priced,  
4 unobtrusive and secure way to reach every household.  
5 Absent the current level of service and reach of the  
6 U.S. Postal Service, I'm not sure how we could fill  
7 that void.

8 Finally, I would be remiss if I didn't  
9 mention the threat to universal service in its current  
10 form or any change that the future may hold would be  
11 ill-conceived, do not mail -- the do not mail  
12 regulations, and, finally -- I'm sorry, the do not  
13 mail initiatives that are bubbling up around the  
14 country.

15 The alleged environmental impact of  
16 mail, which I believe is grossly overstated, let's put  
17 that aside for the moment. A do not mail registry  
18 would wreck havoc with non-profits, even if exempt,  
19 since our rates are tied to the commercial mail  
20 rates. If commercial volume spirals down as a result  
21 of do not mail, our rates would spiral up, and then  
22 our means of reaching the people and helping people  
23 would spiral down also.

24 Do not mail would spoil even the best,  
25 most analytically correct notion of the universal

1 service.

2 Thank you for inviting me to testify  
3 here today. As a participant, I'm happy to see the  
4 breadth and depth of the questions being raised. I  
5 remain hopeful that the decisions made and the  
6 ultimate definition of the USO retains the services  
7 needed by the non-profit community in order to assure  
8 they continue to raise money to support their  
9 initiatives.

10 We cannot survive without a healthy and  
11 thriving United States Postal Service for many decades  
12 to come, and I stand by ready to help continue to  
13 support any effort to reshape its future. Thank you.

14 CHAIRMAN BLAIR: Thank you very much. I  
15 want to start out with the big picture question.  
16 Mr. Powell, you talked about the virtual -- basically,  
17 a virtual post office and, Ms. Pritchard, you talked  
18 about the Postal Service's mission of binding the  
19 nation together and binding people together, and then  
20 finally Mr. Panos touched on an issue today which is  
21 the do not mail.

22 How do these three issues intersect in  
23 our efforts to define universal service and the  
24 universal service obligation?

25 MS. PRITCHARD: I do mention that in here,

1 and that's why I was so thrilled to hear that. These  
2 overlaps are awesome. One of the things driving the  
3 do not mail push is -- it's in here. People want the  
4 illusion of being able to control -- they want to be  
5 in touch with everybody else, but they want to control  
6 who gets in touch with them, and I don't really give a  
7 good answer in there, but I do raise it as an issue.  
8 I think you've got some really exciting options along  
9 those lines.

10 MR. POWELL: Well, you raised questions  
11 about intersecting with policy and the market, so we  
12 can sit with the policy maker's hat on or a voter's  
13 hat, or we can sit and try to predict the market. I  
14 find myself flipping back and forth no matter how hard  
15 I try to speak consistent.

16 I think that the social function of the  
17 Postal Service is an important one. I think it would  
18 be a series of minor tragedies in every small town if  
19 they lost their local post office. So there is a  
20 function for that.

21 How it is paid for, whether it is by  
22 additional taxes or by additional revenue is where the  
23 market side comes in. If the Postal Service can begin  
24 to offer things that people are willing to pay for,  
25 particularly the people who today don't give the

1 Postal Service anything to mail a transaction, the  
2 recipient. The Postal Service makes mail off the  
3 senders, makes money off the senders of mail, so as I  
4 mentioned earlier, if the Postal Service is really to  
5 do universal service, it certainly helps that it's  
6 covering its costs and then some, rather than simply  
7 having lost leaders in the rural areas.

8 But unlike in the business context, a  
9 lost leader doesn't lead to something that is more  
10 profitable. They need to have things that are more  
11 profitable to pay for the obligation, and I guess my  
12 last thought on that is if you define access as the  
13 ability to get paper, you're going to prejudice and  
14 limit your inquiry from the start.

15 If you define access as what we often  
16 want is access to information and we can choose how it  
17 arrives, it may have gotten to the post office just 20  
18 miles away, but at that point, perhaps I can say, you  
19 know what, I would like to see that opening scanned,  
20 and I would like to apply a digital signature because  
21 I don't have a printer or fax machine at my home, I  
22 just have a laptop, everyone is better off.

23 CHAIRMAN BLAIR: Mr. Panos, do you want to  
24 comment?

25 MR. PANOS: Like the others, I have it also

1 in my presentation, but I'm trying to connect all of  
2 this together. We have so many avenues with which  
3 people give to Food for the Hungry and to non-profit  
4 organizations, the do not mail sounds like the  
5 restriction, for instance, to not be able to prospect  
6 for new donors since they didn't know who we were  
7 before we got into their mailbox.

8           Some of our best donors -- in fact, our  
9 top two donors, came to us through non-profit direct  
10 mail prospecting, millions of dollars that have gone  
11 to helping people around the world. The do not mail  
12 registry, as an example, would restrict my ability to  
13 bring similar people to Food for the Hungry in the  
14 future. So, obviously, I would be quite against the  
15 do not mail registry.

16           Supposing that it went the same way that  
17 the do not call registry went where non-profits were  
18 exempt, again, the for-profits would wind up being  
19 restricted, and the cost in order to support the  
20 entire mail system would go up for everybody and  
21 non-profits would be affected the way I described in  
22 my presentation.

23           So in pulling all of that together, I  
24 don't see a link between all three all the time, but  
25 in the case of how they link into the do not mail



1 registry, the access has to happen and affordability  
2 has to happen, and the ability for any one of us to be  
3 able to mail to people in the United States at any  
4 address has to be available.

5 CHAIRMAN BLAIR: How does this impact on  
6 universal service in defining this, and what would be  
7 the long-term effects of something like that, and how  
8 would -- and the second question would be, how would  
9 Earth Mail treat one of your solicitations? How would  
10 the center treat that, and so why don't we go with  
11 that first one, as how does this impact -- how would  
12 do not mail impact universal service?

13 MS. PRITCHARD: It would certainly decrease  
14 the number of Postal Service jobs, I would expect,  
15 because there wouldn't be anywhere near as much mail,  
16 for one thing. Let me let you answer the question  
17 that he asked you.

18 MR. POWELL: I'll try. To go back to my  
19 earlier point, by reducing revenue and reducing the  
20 number of people having to deliver and perhaps even  
21 post offices, it could have an impact on the ability  
22 of the Postal Service to deliver, but that's why --  
23 when I speak about this, I do try to stress that, you  
24 know, the hybrid nature of the way forward, that the  
25 Postal Service offers many choices.

1                   For example, you could say that certain  
2 types of mail streams could be entirely excluded from  
3 Earth Class Mail of that type system. Not one of our  
4 customers wants us receiving their Net-Flix DVDs,  
5 because they can't pay us enough to watch them for  
6 them, and they don't want to send us their magazines  
7 and they don't want to send us their catalogs and I  
8 think they wouldn't want to send us even the shortest  
9 newsletter, because you have a couple choices.

10                   You can forward it, which may cost  
11 extra, and you can scan it, and scanning more than a  
12 few pages runs into costs. So you could exclude the  
13 mail stream entirely. You could also say that the  
14 outside of it gets scanned, but it's more of a  
15 notification, here is what you have in your P.O. Box,  
16 you have a package, you have a solicitation. There's  
17 something here, why don't you drive down and get it,  
18 or you could have us forward it to you, or whatever,  
19 just to let you know.

20                   There are a number of different ways to  
21 do it. But, again, the Postal Service has a platform,  
22 and if it has people going to their Outlook or a  
23 secure website, the Postal Service can begin to offer  
24 other types of advertising and it could begin with the  
25 scanned letter. There could be digital links and

1 videos and ads that are very powerful as Google is  
2 starting to show with Utube.

3           There is no reason that a brand name  
4 like the U.S. Postal Service couldn't compete with the  
5 likes of Google, and, frankly, do it more effectively  
6 because of its ability to push advertising. Google  
7 has to wait for you to type something in. The Postal  
8 Service could scale. They can say, "We're not going  
9 to wait, we're going to hit five million people an  
10 hour for the next 10 days. That's what we want to do,  
11 have a major campaign, we'll test it, do A/B splits  
12 and see what is more effective, but we could reach  
13 people. We can give them a coffee ad in the morning  
14 and a wine ad in the evening. We can do time of day  
15 charging." We could get very sophisticated when you  
16 start to let people interact with what's coming in to  
17 them. You could let them opt in to things they  
18 currently they don't get.

19           MS. PRITCHARD: As exciting as that is, and  
20 I think there's very much room for that, what I've  
21 been finding, and correct if I'm wrong, I think what  
22 you've been finding, too, is that there is a place for  
23 the internet, but I've been finding there is an awful  
24 lot of people that don't want to have to go to the  
25 internet for everything. They want to have something

1 in their hand. They want to have something to think  
2 about.

3 They want to have an opportunity to look  
4 at it, and if they don't want the opportunity to get  
5 it, they throw it away or put it in the recycling  
6 bin. So it's not as intrusive as a telephone call,  
7 which means you get up to answer it or take it out of  
8 your bag to answer it.

9 What I suggest on page 15, when you get  
10 to it, is to take a look at the reasoning and the  
11 needs and the thoughts that are driving this do not  
12 mail push and see what they're really asking for there  
13 and let that inform you as you consider universal  
14 service.

15 I cited an article by Mike Crutelli, the  
16 executive chairman at Pitney Bowes on do not mail. It  
17 is available online, and one of the key points that he  
18 puts in his article, his last line, is to look at the  
19 argument that people are giving there about what is  
20 valuable about mail and what is inappropriate. He  
21 says they're right on target and we ignore those at  
22 our peril.

23 So coming at that question from the  
24 point of view of what are the names that are driving  
25 that push, see if there is another way to honor those

1 needs while still honoring also the value that mail  
2 brings to people, without the do not mail option  
3 having to be acted upon, since their needs have  
4 already been met in other directions. Thanks.

5 CHAIRMAN BLAIR: Thank you.

6 Commissioner Acton?

7 COMMISSIONER ACTON: Ms. Pritchard, I think  
8 you just valued John Campbell's trip here from  
9 Washington on behalf of Pitney Bowes, so I'll  
10 introduce the two of you later.

11 MS. PRITCHARD: That's why I was so  
12 thrilled.

13 COMMISSIONER ACTON: I have a question for  
14 Mr. Powell. How do you process a catalog for  
15 presentation?

16 MR. POWELL: It depends on the customer's  
17 request. They might ask that it not be run through  
18 the system at all and just be delivered to their home  
19 or to their desk in a private enterprise context, or  
20 as I mentioned, we may just scan the front and back of  
21 it to let them know it's there.

22 COMMISSIONER ACTON: And if I want to see  
23 the contents?

24 MR. POWELL: Well, you would probably want  
25 to have it forwarded to you, unless you really, really

1 wanted to see a certain page, and you might have it  
2 scanned in full color, but it's expensive, so it  
3 wouldn't be practical.

4 COMMISSIONER ACTON: You mentioned some  
5 progressive overseas posts that may be looking at your  
6 business plan. Are you actively discussing it with  
7 some of them?

8 MR. POWELL: Yes.

9 COMMISSIONER ACTON: Are you able to tell us  
10 which?

11 MR. POWELL: Yeah, I don't think it's too top  
12 secret. Starting probably about two years ago, we  
13 began to be contacted by some of the European posts  
14 who saw what we were doing. The first was the Dutch  
15 post, TNT, the post of France. We're -- it's now  
16 exploded to about a dozen and a half, most in Europe,  
17 but also in the Middle East, Canada and New Zealand  
18 which has large rural populations that they're  
19 struggling with.

20 So our CEO, as I speak, is in Europe now  
21 at an international mail conference speaking with many  
22 of the posts who are from Europe and also there, and  
23 then doing sort of a tour of the capitals that are  
24 there to talk to us who we have already been in  
25 discussions with and started to work on pilot

1 proposals.

2 COMMISSIONER ACTON: Did you say that they  
3 have reached out to you?

4 MR. POWELL: Some of them have.

5 COMMISSIONER ACTON: And do you have a  
6 dialog with the Postal Service?

7 MR. POWELL: No.

8 COMMISSIONER ACTON: I have one question --  
9 thanks, Mr. Powell. I have one question for  
10 Mr. Panos. On the do not mail front, your  
11 organization is probably affiliated perhaps with the  
12 Alliance of Non-Profit Mailers. Do you know if  
13 they're active in terms of any efforts to counter  
14 what's happening on the do not mail legislation?

15 MR. PANOS: Well, it seems that right now  
16 it's state by state, so I do not know what the actual  
17 strategies are state by state.

18 COMMISSIONER ACTON: Well, the reason I ask  
19 that is you folks and that group are a very compelling  
20 sort of alliance, and if it's an issue that's some  
21 priority for you, I would encourage you to speak with  
22 Conway about making sure he's involved with the  
23 for-profit business interest efforts to counter do not  
24 mail.

25 MR. PANOS: The Direct Marketing

1 Association's non-profit federation makes up about 10  
2 percent of the membership of overall DMA, so we  
3 actually are subordinate to the DMA and they are  
4 helping us with the do not mail issue. They actually  
5 have quite a bit more to lose in this fight than the  
6 non-profit federation and so we're following on their  
7 coattails and they're getting more data every day than  
8 we are.

9 COMMISSIONER ACTON: Mail moves America.

10 MR. PANOS: Exactly.

11 COMMISSIONER ACTON: Thanks again.

12 CHAIRMAN BLAIR: Commissioner Goldway?

13 COMMISSIONER GOLDWAY: I'm not advocating  
14 this position, necessarily, but I think it's fair to  
15 bring this up and to get a response to it.  
16 Ms. Pritchard, you pointed out the fact that people  
17 feel they want to control the mail they receive, that  
18 that's important to them. I think what we in the  
19 industry talk about increasing the value of mail that  
20 is received, so people get the mail they want.

21 For organizations such as yours and  
22 Mr. Panos', it seems to me it may, in fact, be  
23 beneficial for you to feel that the mail that is being  
24 delivered to somebody's home is mail that that person  
25 feels that he or she wants, and they're more likely to



1 open it, that meaning less mail, but it may mean mail  
2 that is, in fact, really important to read.

3 The question is should a mail stream  
4 that is only the mail that people want, be supported  
5 by advertising mail or advertising of any kind such as  
6 Mr. Powell is suggesting in his electronic  
7 opportunities?

8 Or, should it be something that is  
9 subsidized in some way because it is a social service  
10 and a universal service obligation and should it be  
11 paid for in some other way? And that's one of the  
12 questions that we are here to explore and to consider,  
13 and, as I say, I'm not necessarily advocating it, but  
14 we have heard from other non-profits or small mailers  
15 that they feel they need lower rates than they get,  
16 even if the cost of delivering the mail is what it is  
17 in the system.

18 They feel they deserve some subsidies  
19 for it because it is important to bind the nation  
20 together. So those are issues that we need to  
21 contemplate when we consider this very big picture  
22 issue, and I wonder if you have any comments now or  
23 can hopefully make some later.

24 MS. PRITCHARD: The first point that you  
25 had, whether the mail is going to people that really

1 want it, the whole reason that I got involved in any  
2 of this with the Post Office and the studies that we  
3 did was I kept hearing from people who wanted it and  
4 weren't getting it, or were wanting it and getting it  
5 long after the fact.

6               So that aspect of this, as far as Flute  
7 Network goes, it is exactly the reverse. People were  
8 anxious and upset that they weren't getting it in  
9 time. I cite the situation where somebody found out  
10 about a sale or an event and they only received the  
11 thing two weeks after it happened, and how frustrating  
12 that was, because we had actually mailed it three  
13 weeks before it had happened and they didn't get it  
14 until the end. So that's what started everything with  
15 my involvement with the Postal Service.

16              The second thing you asked was people  
17 wanting to control mail that gets to them. My point  
18 was actually broader than that. It is a notion that  
19 people have that they want to control anyone  
20 connecting to them. It's a their place in the world  
21 kind of a question. It's not really specific just to  
22 mail.

23              You see the same principle in terms of  
24 the do not call. Although that one is more intrusive  
25 because it makes you respond to something that is

1 demanding you respond right now, whereas mail does not  
2 have that.

3 Mail has much more of a convenience  
4 factor. I have a post office box for the Flute  
5 Network. I control that in a large way by when I go  
6 to get it, so I do have that bit of control. I also  
7 very much appreciate getting the mail at my house, and  
8 I live in a place where that is available.

9 My intuition from everything I've have  
10 ever investigated related to this question is that  
11 people love getting mail, even the circulars, even the  
12 bills. For some, dealing with those undesirables is a  
13 cathartic experience for them. They can't yell back  
14 at their boss, but, boy, they can take it out on that  
15 piece of mail they didn't want.

16 There are ways that people use the mail  
17 in their lives. The do not mail -- as I'm going back  
18 to this article that I cited, really explores some of  
19 those questions behind that question.

20 And by getting a handle on those  
21 questions that are behind that question, there may be  
22 a better way to deal with that, which renders that do  
23 not mail question null and void by effect, and that is  
24 it. I'm sorry. I forgot. What was the next  
25 question.

1 COMMISSIONER GOLDWAY: That's fine.

2 MS. PRITCHARD: You know where to find me.

3 COMMISSIONER GOLDWAY: And I still have all  
4 of this to read.

5 MR. PANOS: I wanted to answer, as well. I  
6 believe there is a self-policing involved in mail  
7 volume. First off, if people don't answer our direct  
8 mail solicitation for the very first gift to introduce  
9 our organization to them, we don't mail them again.  
10 They don't get a second piece of mail, "Gee, you  
11 missed the first one." They're out. We only then  
12 move forward with those that have donated to us.

13 Second of all, those who donate to us,  
14 we have a mail stream of cultivation mailings upwards  
15 of 33, 34 mailings that someone could get if they  
16 wanted to, but because technology is so good today,  
17 we've actually reduced from 34 in 2002, to 25 in 2004,  
18 to 18 in 2006, to 16 in 2008, the number of mailings  
19 that the average person gets in the Food for Hunger's  
20 database in order to get gifts from them, and they  
21 average giving us four to five gifts per year.

22 So we're at a point now where literally  
23 one-third of our mailings are successful at retrieving  
24 gifts for the homeless and the helpless of our world.  
25 The efficiency is reducing the amount of mail right

1 away.

2 Second of all, I wanted to make another  
3 point, and that is we're part of -- and many other  
4 organizations are that work with and as part of child  
5 sponsorship programs. We won't be emailing those kids  
6 in foreign countries any time soon.

7 The letters that those children get, and  
8 I've hand carried those letters purposely, not because  
9 the mail couldn't get them there, but because I wanted  
10 to bring some letters from people I know that sponsor  
11 children, and I can tell you, the looks on their face  
12 are unbelievable, but what may be just as incredible,  
13 is when we get mail back in the Phoenix office from  
14 children around the world and we forward them on to  
15 the sponsors in the United States. The looks on the  
16 sponsors' faces are just as incredible, and I would  
17 never want to rob them of that.

18 COMMISSIONER GOLDWAY: That's a nice way to  
19 end this program, a real strong advocacy for the mail  
20 that you've offered.

21 CHAIRMAN BLAIR: Thank you, Commissioner  
22 Goldway. Commissioner Hammond?

23 COMMISSIONER HAMMOND: Do you need the rest  
24 of the time?

25 CHAIRMAN BLAIR: You have five minutes all

1 to yourself, and more, unless we get kicked out.

2 COMMISSIONER HAMMOND: No. I know we're  
3 almost running out of time, but I did just want to  
4 follow-up quickly with Mr. Panos on one thing that you  
5 said in your testimony and during your oral testimony,  
6 too, where you said giving through the mail is the  
7 most secure way of giving or perceived to be the most  
8 secure way of giving, and years ago I used to be a  
9 non-profit direct mailer for something that's not as  
10 important an issue that you're doing, but we found  
11 that was the perception, also, whether it was through  
12 surveys or whatever, that that was how people  
13 perceived that, as the most secure way of giving.

14 Do you mention that in relation to the  
15 monopoly currently that is there, and if that monopoly  
16 were not there any longer, that the value of the mail  
17 would go down, and that that could alter people's  
18 perception? Is that what your -- why you bring that  
19 up?

20 MR. PANOS: It is. It is directly related  
21 to the government actually being in charge of mail and  
22 the mail monopoly. As I stated in there, I wouldn't  
23 want to see private mailers be in charge of the  
24 mailbox.

25 COMMISSIONER HAMMOND: And just to make one

1 other point, when you're talking about non-profit  
2 direct mail, so many people assume that all you're  
3 doing is putting out fundraising solicitations, but  
4 you use the mail for information and additional  
5 services and everything. It's not everything you do  
6 is sending out a fundraising letter all the time.  
7 Correct?

8 MR. PANOS: That's correct. We have  
9 newsletters and magazines, and so forth, and those  
10 are -- people beg us for that information, because  
11 they want to see how their donations worked around the  
12 world. So our report back is mostly through the mail,  
13 as well.

14 COMMISSIONER HAMMOND: Okay. I'm limiting  
15 my questions. Go ahead.

16 CHAIRMAN BLAIR: You have two more minutes.

17 COMMISSIONER HAMMOND: No. Go ahead.

18 CHAIRMAN BLAIR: Well, with that, I think we  
19 got exactly what we needed from both our panels today.  
20 I couldn't imagine -- going into this, we've had such  
21 a widely varied discussion, and I think it's really  
22 provided us with the requisite background as we  
23 undertake this study. So on behalf of the Commission,  
24 thank you very much.

25 If there's anything that you wish to

1 supplement your testimony with, please send it to us.  
2 But, again, thank you for the very thoughtful and  
3 thought-provoking pieces that you put before us  
4 today. And with that, the hearing is now concluded.  
5 Thank you.

6 (Whereupon, the hearing was concluded at  
7 3:56 o'clock p.m.)

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## C E R T I F I C A T I O N

I, LERRYN HORTON ROBERDS, RPR, Arizona  
Certified Court Reporter, Certificate No. 50400,  
having been first duly appointed as Official Court  
Reporter herein, do hereby certify that the foregoing  
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in the above-entitled matter, all done to the best of  
my skill and ability.

DATED this 13th day of June, 2008.



Lerryn Horton Roberds, RPR  
Arizona Certified Court Reporter  
Certificate No. 50400